

WASHINGTON -- Congresswoman Linda Sánchez, Chairwoman of the House Judiciary Subcommittee on Commercial and Administrative Law (CAL), made the following statement today as part of the CAL Subcommittee's oversight hearing titled "Straightening Out the Mortgage Mess: How Can We Protect Home Ownership and Provide Relief to Consumers in Financial Distress?"

Chairwoman Sánchez convened the hearing to hear from experts about what caused the current subprime mortgage crisis, its impact on consumers and the economy, and possible solutions.

"Today's sky rocketing foreclosure numbers are a sobering reminder of this nation's growing mortgage crisis. What was once a small problem attributed to economically struggling areas is quickly becoming a national phenomenon.

" In 2006, there were 1.2 million foreclosures in the United States, representing an increase of 42 percent over the prior year.

" And this year's numbers are looking even worse: Last month's foreclosures were 115 percent greater than those reported for August in 2006.

" It is estimated that between this year and next year there will be a whopping \$400 billion worth of mortgage defaults.

" As many as 2 million households may be at risk of losing their homes through foreclosure, a rate approaching that of the Great Depression.

" And, economic conditions will worsen given the fact that a substantial portion of subprime mortgages will reset their interest rates in the coming months.

"We are in the middle of a mortgage meltdown. Falling real estate prices and a substantial change in the ease of obtaining loans are making it more difficult for overstretched homeowners to either refinance their way out of trouble or simply sell their homes. We need to act quickly to shift the balance of power between borrowers and lenders. The question is how?

"I was very pleased to join my colleague from North Carolina, Brad Miller, last week as an original cosponsor of the "Emergency Home Ownership and Mortgage Equity Protection Act of 2007." This measure goes to the very heart of the problem: protecting homeowners so desperate that they must file bankruptcy.

"H.R. 3609 allows -- for the first time in nearly 30 years -- a debtor in a chapter 13 case to reorganize his or her home mortgage obligations just like any other debt. And, unlike some proposals, it provides guidance to the courts in terms of how this restructuring may be done.

"This legislation provides an important exception to the mandatory requirement that consumers receive credit counseling before they file for bankruptcy relief. The bill excuses a chapter 13 debtor from this requirement if he or she submits to the court a certification that a foreclosure

action has been commenced against the debtor's home.

"And, this legislation provides important protections against lenders assessing excessive fees and hidden charges against chapter 13 debtors who are trying to save their homes from foreclosure.

"The Emergency Home Ownership and Mortgage Equity Protection Act is a measured response to the mortgage crisis and one that I strongly support. I look forward to working with my colleagues on this Subcommittee as well as the full Committee to move this bill and explore other necessary reforms.

"It is my hope that today's hearing will provide an opportunity for us to gain a better understanding of the causes and possible solutions to the mortgage mess facing consumers and our economy.

"Accordingly, I look very much forward to today's hearing and to receiving the testimony from all of our witnesses."